Springsted

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SPRINGSTED
Advisors to the Public Sector

November 15, 2004

Mr. Keith Rake, Deputy Assistant Commissioner
Bureau of the Public Debt
Department of the Treasury
P.O. Box 396
Parkersburg, West Virginia 26101-0396

Dear Mr. Rake:

On September 30, 2004, the Department of the Treasury published proposed changes to 31 CFR Part 344, regulations which govern the use of the State and Local Government Series ("SLGS") securities program. This letter concerns Docket Number BPD-02-04, and represents our firm's comments and suggestions about the final draft of the proposed regulations.

Springsted Incorporated is an independent financial advisor to public entities nationwide, and has served clients in this capacity for over fifty years. Currently, we represent over 650 municipalities and institutions of higher education, in twenty-three states around the nation. While we work with some of the largest cities and counties in the country, most of our clients are school districts, cities and counties of smaller character. Raising capital for client projects through the issuance of municipal bonds is the core of our service, and we are active participants in the SLGS program on our clients' behalf.

The most notable benefit to issuers using the SLGS program is the flexibility of the procurement and issuance of the securities. Municipalities appreciate the transparent pricing, highly flexible availability of maturity dates, one-dollar increments, and ability to subscribe for SLGS sixty days in advance of closing. Our clients value the ability to mitigate interest rate risk by subscribing for SLGS in advance of bond pricing. Small issuers in particular are able to purchase investments in relatively small maturities while avoiding paying a "small-size" premium they would face if purchasing open-market securities from a broker.

With two notable exceptions, we do not find the proposed regulations to represent a significant hindrance to our clients' use of the SLGS program. The proposed changes to the Bureau's hours of operation, reduced variability of par amounts, required usage of SLGSafe, and commitment to one delivery date are not likely to pose significant problems for our clients.

We believe that there are two provisions in the proposed regulations that threaten to impede our clients' use of the SLGS program in the manner in which it was intended. We believe that less intrusive regulations can be devised that will allow the Department to accomplish its goals without the adverse effects that we believe the proposed regulations will impose on municipalities using the SLGS program for legitimate purposes.

First, both before delivery of a SLGS portfolio and after, municipalities ought to retain the authority to redeem SLGS securities for the mitigation of negative arbitrage. We believe issuers should be allowed to manage SLGS portfolios according to their legitimate objectives. It appears to us that universal use of the SLGSafe platform, and a reduction in the sixty-day maximum subscription period would address administrative challenges created by the redemptions and resubscriptions without hampering local decision making.

Second, Springsted files subscriptions for SLGS only in relation to specific escrows to be established for clients. We recognize the potential for abuse and understand that abusive practices have been observed, but we are compelled to defend clients' ability to cancel subscriptions when circumstances require. For example, if an advance refunding does not meet the savings requirement put forth in Minnesota statute, we must be allowed to cancel a subscription to preserve the issuer's compliance with State law. The proposed regulations are vague in what criteria would be used to determine that a "cancellation is required for reasons unrelated to the use of the SLGS program to create a cost-free option," exposing issuers to arbitrary enforcement actions. If this provision is retained in the final regulations, we believe that substantial clarification on its meaning and intent must be included in the final regulations.

If we can be of further assistance to the Bureau of the Public Debt as these proposals are evaluated, please feel free to contact us by phone at 651-223-3000. Thank you very much.

Sincerely,

Kathleen A. Aho

Kathleen Aho, Principal

Jonathan Commers

Jonathan Commers, Senior Analyst

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TELECOPY INFORMATION

November 15, 2004

Client Number _____

We are sending 3 pages, **including** this cover page. If you do not receive all of these pages, please call 651.223.3000 for assistance. Thank you.

To:	Bureau of Public Debt		
Attention:	Mr. Keith Rake		
Fax #:	(304) 480-5277	Phone #	
From:	Kathy Aho and Jon Commers	Phone #	(651) 223-3000
Subject:	Docket Number BPD-02-04		
Notes:			

Original Material Will:

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